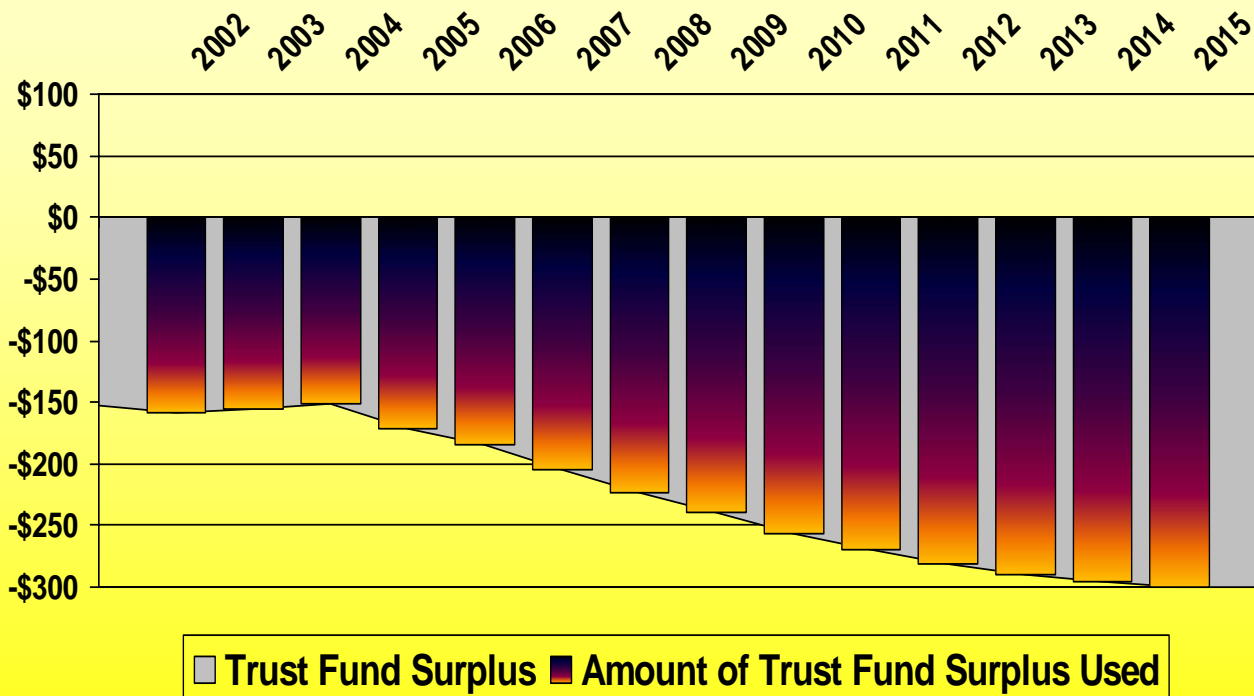


Is the Social Security Trust Fund Real?

Bush Budget Uses **100%** of Social Security Trust Fund Surplus



Prepared by the Democratic Staff of the House Budget Committee

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The President describes the Social Security trust fund as nothing but “file cabinets full of IOUs.” He frequently points out that the government uses Social Security surpluses to fund other government programs. But this Administration made deliberate policy choices to spend those surpluses, even though the government would soon face rising costs when the baby boom generation starts to retire.

Social Security trust fund assets are invested in Treasury securities, widely considered the safest investment in the world. The bonds in the trust fund are as good as gold, and they will be honored. America’s foreign creditors hold Treasury securities, not to mention millions of Americans who have invested part of their IRA, 401k, or Thrift Savings Plan accounts in Treasury securities as part of a balanced investment portfolio.

It is inconsistent for the president to imply that the Treasury securities held by the trust fund are merely scraps of paper with no value, and then turn around and propose selling \$5 trillion worth of Treasury securities to domestic and foreign investors in order to finance his privatization scheme.

Ironically, the President also has proposed that workers who don’t want to expose themselves to stock market risk should have the option of investing their account entirely in Treasury securities. However, the President’s plan includes a “privatization tax” on Social Security benefits that virtually guarantees that workers who choose this option would lose money, because the returns from an account invested in Treasury securities would be too low to make up for the privatization tax, once administrative costs are factored in.